



USAID
FROM THE AMERICAN PEOPLE

INDONESIA

ECONOMIC GROWTH STRENGTHENED AND EMPLOYMENT CREATED



Photo: W.S. Foerderer

THE CHALLENGE

5.13% GDP growth for 2004 and 5.4 projected for 2005 will not absorb the annual influx of over two million job-seekers, nor will it fuel increases in household income.

The World Bank calculates that it takes 151 days to register a business, and more than 7 years to execute bankruptcy proceedings.

Corruption is pervasive and deters investment. Indonesia ranks 133 out of 146 countries on the TI corruption perception index.

The Goal

Increased growth, jobs and prosperity.

Improved investment and business climates, and transparency.

Increased exports and foreign direct investment.

Improved financial sector safety and soundness.

OVERVIEW

The U.S. government will provide \$87 million over five years (2004-2008) to assist Indonesia with its economic transition. Assistance to the Indonesian Government and private sector will focus on creating jobs by improving the business and investment climate, combating corruption, increasing competitiveness in key sectors, and improving the safety and soundness of the financial system. Through USAID, the U.S. is working with Indonesians to ensure that future generations enjoy an increasingly prosperous, democratic and stable country.

PROGRAMS

Increased productivity, income and prosperity are key to Indonesia's future economic success. These goals underlie our program. Assistance will build a safe and sound financial system by strengthening key institutions, and will improve the business and investment climates by promoting enterprise development. All initiatives will directly or indirectly promote transparency in order to combat corruption, financial crimes and terrorist finance.

BUSINESS CLIMATE & ENTERPRISE DEVELOPMENT

Efforts to promote a transparent and predictable legal and regulatory business climate aim to reduce the hidden costs of doing business, to reduce business uncertainty and to promote trade, investment and job creation. USAID will work with the Government to strengthen the Commercial Court and the Anti-Corruption Court in order to improve the investment and business climates, and to combat corruption. USAID is working with one-stop business registration centers to streamline the procedure and reduce the cost of doing business. USAID will also deliver technical assistance to leading industry sectors in an effort to fuel growth, exports, jobs and prosperity. This will also seek to drive increased productivity and national competitiveness by forging stronger coalitions of public, private and civil society advocates for legal, regulatory and policy change.

FINANCIAL SECTOR SAFETY AND SOUNDNESS

USAID is working to improve the oversight of bank and non-bank financial intermediaries in order to promote safety and soundness in the financial system, and to improve transparency and governance. USAID also launched a financial sector training program with AIG (American International Group) in an effort to build the skills of Indonesia's next financial market leaders. USAID is providing technical assistance to Indonesia's Financial Intelligence Unit (PPATK), the Ministry of Finance, and other

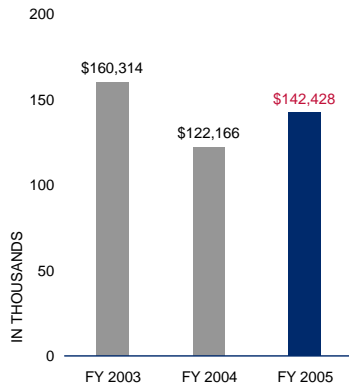


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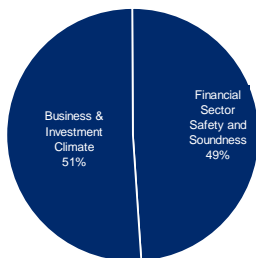
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USAID ASSISTANCE TO INDONESIA



Funding: Child Survival and Health Funds, Development Assistance, Economic Support Funds, PL 480 Title II (includes emergency and non-emergency food aid)

FY 2005 Budget for Economic Growth
Percentage for Each Program Area



Total FY 2005 for Economic Growth: \$19,480,000

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government bodies involved in the detection and prevention of financial crimes and terrorist finance. USAID is working with the Government to help build the Deposit Insurance Agency (LPS) which will bolster confidence in the still-fragile banking system.

PROGRAM HIGHLIGHTS

USAID successfully advised the Government on Indonesia's Deposit Insurance Law, and is now assisting to create a new deposit insurance agency that will better protect depositors and the banking system.

Eight independent law centers were established with USAID assistance, targeting local government staff, regional parliamentarians and NGOs. Each center now offers training in policy-making and legislative drafting, consults on specific legislative projects.

USAID launched the "Success Alliance" to promote and improve the quality of Indonesia's cocoa. The Success Alliance is a public/private partnership with Masterfoods (formerly Mars Candies), The World Cocoa Foundation and ACDI/VOCA. Under this alliance, more than 60,000 farmers have been trained and industry has invested another several million dollars in research and marketing, and has committed to purchase more than \$150 million in Indonesian cocoa.

USAID assisted the Government to establish the Indonesia Bank Restructuring Agency (IBRA) which successfully oversaw the bankruptcy and liquidation of defunct state and private banks. Having completed its mandate, IBRA was disbanded as was its American analogue, the Resolution Trust Company (RTC).

USAID assisted in drafting the Anti-Money Laundering Statutes and the implementing regulations, and the Government Regulation on Witness Protection, all of which are critical to the fight against corruption and financial crime.

As a result of Government's commitment and USAID technical and financial assistance, Indonesia was removed from the international "black-list" of Non-Cooperating Countries and Territories (NCCT) on February 11, 2005.